BCP

Invest with confidence

Celebrating 50 Years

Pillar 3 Disclosures – BCP Asset Management DAC ("BCP")

June 2021

At 31 December 2020, the total capital requirement of BCP Asset Management DAC under Pillar 1 amounted to €1,395,801. The Net Capital Resources (Core Equity Tier 1 capital, CET1), was €7,147,925. This represents a ratio of 5.12:1 on funds actually held versus what is expected to be held, based upon our Pillar 1 requirement.

(Refer to Capital Resources Workings – Page 6)

INTRODUCTION/OVERVIEW

Background

The European Union (EU) Capital requirements Directive (CRD) was originally adopted by the EU on 14 June 2006 and became effective in Ireland on 1 January 2007. A number of amendments were made subsequently, with the most recent being the implementation of Capital Requirements Directive IV (CRD IV) effective 1 January 2014. CRD IV applies to all investment firms authorised under the Investment Intermediaries Act, 1995; the European Communities (Markets in Financial

Instruments) Regulations 2007 (S.I. No.60 of 2007) and the European Communities (Markets in Financial Instruments) Regulations 2017 (S.I. No 375 of 2017).

In Ireland, the implementation of the CRD requires regulated firms to calculate their capital requirements in a prescribed manner and includes the application of the concepts of minimum capital requirements (Pillar 1) and the internal capital adequacy assessment process (Pillar 2) in the determination of those requirements.

There are three key pillars in the CRD:

- → **Pillar 1** sets out a methodology for the calculation of investment firms' minimum regulatory capital.
- → **Pillar 2** requires firms to fully assess their risks and to ensure there is a practical link between their risk profile and the capital they maintain in accordance with the internal capital adequacy assessment process.
- → **Pillar 3** obliges firms to publicly disclose information concerning their capital, risk exposures and risk assessment processes.

CORPORATE GOVERNANCE

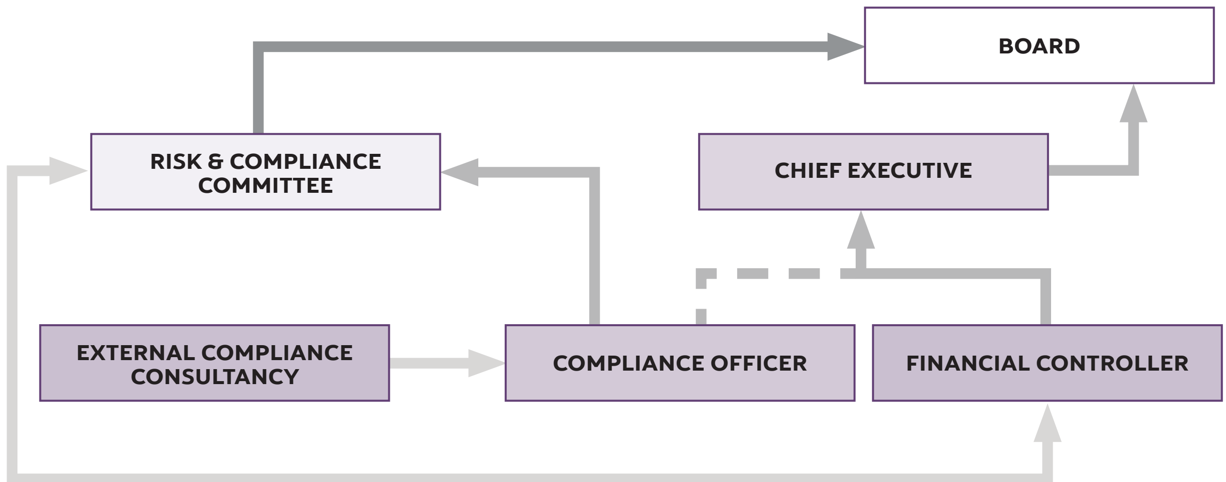
The Board comprises of 4 Directors, 1 Executive and 3 non-Executive Directors (including two independent non-Executive Directors). The Board meets on a quarterly basis and more frequently if required.

Directors hold the following number of Directorships (including Directorships of BCP Group and related companies).

NAME	NUMBER OF DIRECTORSHIPS
John Calvert	6
Roger Conan	10
Nicholas Cullen	17
John O'Hanlon	4

The graphic below shows the formal structure for the management and reporting of risk to the Board.

COMPLIANCE STRUCTURE



RISK & COMPLIANCE COMMITTEE

The Risk & Compliance Committee meets quarterly and assesses the firm's exposure to risk. The Committee is chaired by an Independent non-Executive Director. It makes recommendations to the Board when there is a material change in the firm's activities. The Risk & Compliance Committee monitors the impact on the firm of the identified risk criteria and recommends adjustments to the firm's risk appetite, as appropriate.

CORPORATE GOVERNANCE
CONTINUED

INTERNAL AUDIT

The firm has retained the services of a professional firm to undertake the role of Internal Auditor. In conjunction with the Internal Auditor the Firm has agreed the implementation of a 3 year rolling Audit Plan which is reviewed annually.

REMUNERATION COMMITTEE

The Remuneration Committee determines, on behalf of the Board, the Firm's framework of executive remuneration and the specific packages and conditions of employment for each of the Non-Executive Directors, Executive Director and other senior executives, as decided by the Board. The firm's remuneration committee comprises of two Non-Executive Directors.

RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management in BCP is a continuous and developing process which runs through the organisation and all its activities. This includes building a strong risk awareness and internal control culture through clear lines of responsibility and internal reporting.

The Board of Directors are responsible for determining the firm's strategy, approving the firm's business plans, reviewing operational performance, determining authority levels and firm's policies, ensuring adequate funding, and approving developments within the firm. It assumes overall responsibility for monitoring, identification and evaluation of risk management performance, and for providing control measures for the firm's management to implement.

ICAAP

The risk management policy is formally reviewed annually as part of the Internal Capital Adequacy Assessment Process (ICAAP) as determined by the CRD. The ICAAP is a process within the firm's internal governance framework to ensure that the management body (both supervisory and management functions):

- Adequately identify, measure, aggregate and monitor the firm's risks
- Hold adequate internal capital in relation to the firm's risk profile
- Use sound risk management systems and develop them further

The framework under which an institution should develop its ICAAP is designed to be risk based. It emphasises the importance of capital planning, but also the importance of management, and other qualitative aspects of risk management. When assessing capital needs, the firm should be able to take into account the impact of economic cycles, and sensitivity to other external risks and factors.

The ICAAP should be embedded in the institution's business and organisational processes.

RISK MANAGEMENT OBJECTIVES AND POLICES **CONTINUED**

The process followed in developing an appropriate ICAAP for the firm was determined by the Management team under general guidance emanating from the Board. After calculation of the statutory minimum capital requirement, the following were important considerations for the firm in designing its ICAAP:

- Comprehensive capturing and assessment of risks
- Determining relevant stress tests where these risks were considered significantly sensitive to the general economic environment or market conditions
- The desire to further embed a risk framework in the business which amongst other things clearly relates risks to capital
- The desire to reflect the importance of the role and responsibilities of Directors and senior management to the proper management and strong development of the firm

Another consideration was one of proportionality. The Central Bank of Ireland has advised that it takes a proportionate approach to the ICAAP and its Supervisory Review and Evaluation Process (SREP) which reflects the nature, scale and complexity of the activities of the firm. The Central Bank therefore distinguishes between small, non-complex firms and large and/or complex firms and guidance has been issued in relation to criteria to assess complexity. The firm's ICAAP has been developed on the basis that the firm has been categorised as a Medium Low firm under the Central Bank's PRISM rating system.

Risk issues are discussed at management meetings and the top 10 risks formally discussed at the quarterly Risk & Compliance meetings &/or Board meetings. These meetings provide the opportunity for new risks to be added, likelihoods and impacts to be reassessed or risks removed from the register. Risks are added to the register as and when they arise. The controls noted in the risk register are tested according to a monitoring plan which is signed off by the Board each year.

The Risk Register is sent to all risk owners on a quarterly basis. If they have any update to a particular risk they insert their comment in the "comment box" and the register is up-dated accordingly

Staff are informed of the firm's strategy and policy at least annually through management reviews. The information provided is geared to the needs of individual groups with more senior staff being updated more frequently and to a greater extent as appropriate to their need. This process includes a review of risks facing the firm and a linking of risks to capital needs.

Whilst all Directors recognise their responsibility to ensure the process is effective, specific responsibility has been allocated to a non-Executive Director to provide challenge to the appropriateness of the ICAAP in place in the firm, the risks reported, controls in place, the likelihood of the risk crystallising and financial consequences arising.

The Board of Directors confirms that the firm's ICAAP is up to date and at all times maintains capital in excess of regulatory minimum requirements.

RISK CATEGORIES

The Board considers the firm's principal risks to fall into the categories below. The management of the firm applies various controls to mitigate against these risks.

a. Interest rate risk
The current or prospective risk to earnings and capital arising from adverse movements in interest rates. The firm will continue to consider alternative sources of income to replace lost revenues earned from deposit income.

b. Operational Risk
The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes IT, legal and compliance risk. Senior management and the Risk & Compliance Committee are primarily responsibility for the development and implementation of systems and controls to manage operational risk, these include;

- Comprehensive risk management framework.
- Documentation of controls and procedures.
- Clearly defined segregation of duties.
- Detailed review of Operational Risk incidents by management and the Risk & Compliance Committee.
- Training and Professional development of staff.
- Business continuity and disaster recovery planning.
- Independent assurance provided by Internal Audit.

c. Reputation Risk
The current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. The firm has a well-developed product development process designed to identify suitable investment opportunities which are considered attractive to clients. It is supported by large, well respected investment advisers. The firm has built a large intermediary base through which products are primarily distributed.

d. Business and Strategic Risks
Business risk: probability of loss inherent in a firm's operations and environment (such as competition and adverse economic conditions) that may impair its ability to structure and attract investments. This includes the loss of key intermediaries , the availability of counterparties to continue to support the firm's structured product range and legal, regulatory, taxation changes which may negatively impact on the firm and its ability to provide quality investments to clients. These risks are managed through the experience of the Board, the Management team and the Investment Committee and through ongoing staff training and professional development supported by external legal, regulatory and financial professionals.

e. Legal & Compliance Risk
Subcategory of operational risk: the current or prospective risk to earnings and capital arising from violations or noncompliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards. These risks are mitigated by the Compliance Plan which is approved by the Board, overseen by the Risk & Compliance Committee and executed through the Compliance Department, through the risk identification process of the ICAAP and ongoing monitoring.

f. Credit Risk
The risk of loss of principal or loss of a financial reward stemming from a counterparty's failure to repay a loan or otherwise meet a contractual obligation. The firm's assets which are subject to credit risk mainly comprise of financial fixed assets and cash; the 'Standardised Approach' is adopted in calculating the credit risk of the firm. Investment in financial fixed assets is subject to an assessment by the firm's Investment Committee and counterparties with which the Firm places firm and client cash are subject to initial approval and ongoing monitoring.

g. Market Risk
Market risk may be defined as the current or prospective risk to earnings and capital arising from adverse movements in bond prices, security or commodity prices or foreign exchange rates in the trading book. This risk can arise from market making, dealing, and position taking in bonds, securities, currencies, commodities, or derivatives (on bonds, securities, currencies, or commodities). This risk includes foreign exchange risk, defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

Market risk is managed primarily by the Investment Committee and the product development process.

h. Liquidity risk
The current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they come due.

CORE EQUITY TIER 1 CAPITAL (CET1)

As at 31 December 2020 and at all times throughout the year, BCP Asset Management DAC and all regulated entities within the BCP Group complied with the capital requirements of the Central Bank.

The table below details the composition of the capital resources of BCP available to meet these requirements as at 31 December 2020:

	NOTE	AS AT 31 DECEMBER 2020
Capital Resources	1	
Called up share capital		€591
Share premium		€203,742
Revenue Reserves as per 2020 Financial Statements		€6,943,592
Core Equity Tier 1 Capital		**€7,147,925**
Core Equity Tier 2 Capital		**€0**

Notes: 1: Total capital resources comprise share capital, share premium and audited retained earnings as per the 2020 audited financial statements of BCP Asset Management DAC.

CAPITAL ADEQUACY

The Company's capital management objectives are as follows:

a) To comply at all times with the capital requirements of the Central Bank.

b) To maintain a strong capital base to support the strategic development of the business.

Formal procedures are in place to monitor and manage capital resources on an active and timely basis.

BCP Asset Management DAC, trading as BCP, is regulated by the Central Bank of Ireland. Registered in Ireland number 92930.
Registered office 71 Upper Leeson Street, Dublin, D04 XK68, Ireland. VAT number IE4693404F.

71 Upper Leeson Street, Dublin, D04 XK68, Ireland
+353 1 668 4688 | invest@bcp.ie